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The budgetary process in the Navy, an outline

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NAVY GRADUATE COMPTROLLERSHIP PROGRAM

THE BUDGETARY PROCESS IN THE NAVY: AN OUTLINE

By

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For

Dr. A. Rex Johnson

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PREFACE

With the growing interrelationship between financial management and command responsibilities in the Navy, officers are becoming more involved in some aspect of the budget. Probably an officer's first contact has been in the area of expenditures, where he has wrestled with the problem of how best to use the funds alloted to him. He may have been confronted with the decision of whether to order a spare magnetron tube for the air search radar to insure an operational capability, or to procure a coil of five inch manila line for added safety in mooring during heavy weather. His decision requires a projection into the future. The chance that the ship will be subjected to an unusual storm requiring extra emergency mooring lines must be weighed against the chance that the present magnetron and the spares on board will not last during the operational period. Carrying this fundamental problem up through the various levels of command, we find that this same type of decision is present in a much larger sense in the formulation of the budget by the top echelon of command. The result of innumerable decisions is

the President's Budget presented to Congress every January for the following fiscal year.

For a better understanding of the budget, I have undertaken to review the background of how the present budget system was established by law, as practised in the Navy Department, and as evaluated by people who have participated in or studied the budget process.

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THE GROWTH OF FINANCIAL MANAGEMENT

The growth of financial management in industry was a natural development paralleling the growth of industries themselves:

> During this latter decade of the nineteenth century, rapid expansion took place in steel, oil, tobacco, silk, flour milling, meat packing, telephone, and machinery manufacturing. Still other industries have developed into greatness only since 1900. The automobile industry, for example, which had hardly begun by 1900, has since become one of the largest manufacturing industries in the United States and in the world. Similarly, the electric power industry, the motion-picture industry, and, more recently, the talking picture, the radio, and the aircraft industries have grown to gigantic proportions and have taken an extremely important place in our business and industrial life.[1]

Another wave of industrial expansion occurred during the years following World War II so that during the year 1954 five hundred industrial corporations (excluding utility, all financial, transportation, trade, construction, and service corporations) had sales over $50,000,000.[2]

A method of financial management developed by the duPont Corporation is called Planning and Control.

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[1] Thornton F. Bradshaw and Charles C. Hull, Controllership in Modern Management, (Chicago: Richard D. Irwin, Inc., 1950), p. 12.

[2] "Box Score of Business Bigness", Fortune, July, 1955, pp. 96-97.

> The duPont brothers laid down the basic pattern of Planning and Control in 1919 when they decided to expand out of the explosives field into chemicals. They took as their objective a return on investment (approximately ten per cent), and decentralized the company's operations into autonomous divisions.[1]

In 1921 Donaldson Brown, who had worked out this control system in 1919 for duPont, was made General Motors' Vice President for Finance. Here he helped Alfred P. Sloan, Jr. put General Motors back on its feet after a bad fall during the 1921 depression. Among the tools used in planning and control is a series of expense budgets that are not mere estimates of expenses, but carefully planned schedules of departmental income and outgo.

The growth in the field of financial management produced a distinct development in corporation organization. In some companies a new staff division under top management was instituted, and in many cases the chief officer of this division was entitled a controller. The head of an Accounting Department in a large corporation, call him by whatever name you please--comptroller, general auditor, auditor--is no longer the principal bookkeeper, as he was sometimes designated not so many years ago, and no longer is his department considered a non-profit unit.[2] In other companies the financial division which handles the traditional functions of taxes, reports, accounting and auditing was

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[1]Perrin Stryker, "Profit and Control for Profit", Fortune, April, 1952, p. 129.

[2]Charles A. Heise, Accounting in the Administration of Large Business Enterprises, (Cambridge: Harvard University Press, 1943), pp. 4-5.

enlarged to include control, interpretation, and planning. A big factor in the development of this new concept of financial management was the realization that all activities in a company had one common denominator, the dollar. One of the methods of coordinating all these activities using this common denominator was the budget.

At the same time that corporations were searching for new techniques in financial management due to their size and complexity, the Government was experiencing growth in size, complexity, and expenditures, requiring new concepts in financial management. The need for reform was recognized in 1911 when President Taft appointed a Commission on Economy and Efficiency. The Commission's proposals for reform covered five main requirements, three of which are covered in the following quote:

> First, the Commission proposed a comprehensive Executive budget that covered both expenditures and revenues, to be based not only on the provisions of existing law, as was traditional, but also to include the budgetary consequences of new legislation, relating both to expenditures and revenues, proposed by the President. . . . Secondly, the Commission recognized that the Congress should be given an opportunity to consider the budget in terms of programs as functions: it therefore proposed a functional classification for the expenditure side of the budget. As a further aid to the consideration of the program content of the budget, it proposed a character classification whose main purpose was to distinguish between capital and current outlays of the Government. These new classifications, however, were not to be substitutes for, but additions to, the traditional classifications by organization units and objects (personal services, travel, supplies and materials, etc.). . . . . .
>
> Finally, the Commission stressed the importance of systematic review of the budget. . . . Its most interesting proposal from our present viewpoint was that annual reports from department heads should form an integral part of the budget process.[1]

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[1]Arthur Smithies, The Budgetary Process in the United States:(New York: McGraw-Hill Book Co., 1955), pp. 68-71.

Legislative action on the Commission's report was delayed until after World War I due to the unsettled political situation.

In 1921 the Budget and Accounting Act[1] was passed which provided for a comprehensive Presidential budget and the Bureau of the Budget to assist the President in the preparation of the budget. Under General C. G. Dawes, the Bureau instituted a system of budget formulation based on objects of expenditure, such as personal service, travel, supplies, and equipment. In 1939, when the Executive Office of the President was created, the Bureau of the Budget was transferred from the Treasury Department to the Executive Office of the President. Other additions to the Executive Office included the Council of Economic Advisers in 1946 and the National Security Council in 1947.

The National Security Act of 1947[2] seems to have been passed by Congress in response to the need for unification between the services, and to the pressure of the Air Force for equal status with the Army and Navy. It established coordinating agencies such as the National Security Council, the Central Intelligence Agency, the National Security Resources Board, and it set up the National Military Establishment, composed of the office of the Secretary of Defense, the three service departments, and certain of their boards and their staffs.

> But the Secretary of Defense was cast in the role of the head of a loose federation of virtually autonomous units. . . .

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[1]Public Law 16, 67th Congress, June 10, 1921.

[2]Public Law 253, 80th Congress, July 26, 1947.

> It (the National Security Act) gave the departments explicit authority to submit any "report or recommendation" over the head of the Secretary of Defense to the Director of the Budget, to the President, and, implicitly, to the Congress.[1]

The weakness of the position of the Secretary of Defense, Mr. Forrestal, in connection with budgetary matters, is well recorded in the Forrestal Diaries.[2] The Chiefs of Staffs were unable to come to any agreement, and the services, when in disagreement with the President's Budget, carried their appeals directly to Congress.

At the same time that Mr. Forrestal was experiencing his trials with the budget, a task force for the Hoover Commission on Organization of the Executive Branch of the Government, in a report dated November 15, 1948 emphasized the relative weakness of the Secretary of Defense.[3]

A few weeks later, the Hoover Commission itself submitted its recommendations on the National Security Organization. The newly discovered importance of the budget is suggested by the fact that the Hoover Commission's recommendation number one was:

> a) That full power over preparation of the budget and over expenditures as authorized by the Congress be vested in the Secretary of Defense, under the authority of the President.

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[1]Frederick C. Mosher, Program Budgeting: Theory and Practice(New York: American Book-Stratford Press, Inc.,1954), p.31.

[2]Walter Millis (ed.), The Forrestal Diaries (New York: Viking Press, 1951), p.235, pp. 492-541.

[3]The Commission on Organization of the Executive Branch of the Government, Task Force Report on National Security Organization, Appendix G (Washington: Government Printing Office, 1949).

b) That the Secretary of Defense direct and supervise a major overhaul of the entire budget system; . . .

c) That the armed services be required, at least in peacetime, to keep complete, accurate, and current inventories.[1]

A direct result of this Hoover Commission report was the enactment of the National Security Act Amendments of 1949[2] which established the organization of the present Department of Defense. Another section of the act, Title IV, gave to the Secretary of Defense the power of financial management over the three military departments by providing for the establishment of a controller in the Department of Defense and in the Military Departments. It also prescribed a performance type budget in the Military Departments, and made provisions for the use of working capital funds and management funds and required the maintenance of both quantitative and monetary property records, so far as practicable. It also emphasized economy and efficiency. To a considerable extent, the degree and the effectiveness of unification have depended upon the budgetary process within the Department of Defense.[3]

The Budgeting and Accounting Procedures Act of 1950[4] was another legislative act induced by the Hoover Commission Report.

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[1]Ibid, pp. 12-13.

[2]Public Law 216, 81st Cong., August 10, 1949

[3]Mosher, op. cit., p. 33.

[4]Public Law 784, 81st Cong., September 12, 1950.

It provided for accounting changes and inclusion of statistical information in connection with the performance budget. Although the President was given wide discretion in forming a performance budget, the traditional green sheets showing expenditures by objects were still required unless waived by the appropriating committees.

Along with the statutory changes in budget matters, the Executive Branch was reorganizing itself in order to be aligned to a performance type budget.

A review of the history of legislative action since the Budget and Accounting Act of 1921 shows the realization of Congress that new methods and techniques were required to handle the large and complex business of Government. Just as corporations reorganized and introduced new methods of financial management when they grew from a one-division to a multiple division corporation, the Government followed a similar pattern. The Budget and Accounting Act of 1921[1] provided for standardization of the Presidential budget. Subsequent legislation provided for a performance type budget and other financial management techniques to better control the expenditures. Another step taken by Congress and the Executive Branch was the reorganization of Government to facilitate financial management.

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[1]Public Law 16, 67th Congress, June 10, 1921.

CHAPTER II

FORMULATION OF PERFORMANCE BUDGETING IN THE NAVY

The Navy's first performance budget was for the fiscal year 1951. The change-over was an enormous job. First, the appropriation's structure had to be altered. The Navy reduced the number of titles from fifty-two to twenty-one. In general, these twenty-one titles are adapted to the structure of the Bureau organization, thereby paralleling financial responsibility and management responsibilities. Those who control the money spend it. For comparison purposes, the budget is also broken down to budget category, which represents an arbitrary classification of transactions by various items of interest such as basic functions, end items, organizational components, and military personnel costs. It is used primarily for comparison purposes among the three military departments. Examples of the two classifications are as follows:

TABLE I

COMPARISON OF NEW OBLIGATIONAL AUTHORITY BY APPROPRIATION TITLE
Fiscal Year 1956 - In Millions of Dollars[a]

Appropriation Title	F. Y. 1956
Military Personnel, Navy	2,486.1
Reserve Personnel, Navy	91.8
Navy Personnel, General Expenses	83.0
Military Personnel, Marine Corps	650.2
Reserve Personnel, Marine Corps	20.6
Marine Corps Troops and Facilities	181.6
Marine Corps Procurement	290.2
Aircraft and Facilities, Navy	809.6
Aircraft and Related Procurement, Navy	905.6
Ships and Facilities, Navy	779.7
Construction of Ships, Navy	- -
Shipbuilding and Conversion, Navy	1,387.6
Ordnance and Facilities, Navy	182.9
Procurement of Ordnance and Ammunition, Navy	185.8
Medical Care, Navy	62.5
Civil Engineering, Navy	120.1
Military Const., Naval Reserve Forces	28.1
Military Construction, Navy	--
Research, Navy	--
Research and Development, Navy	431.9
Service-Wide Supply and Finance, Navy	295.6
Service-Wide Operations, Navy	94.3
Naval Petroleum Reserves	2.9
Total	9,090.2[b]

[a]Department of the Navy Budget Digest, Fiscal Year 1956, Office of the Comptroller, p. 12.

[b]Excludes $442,628,300 for Military Construction, Navy, as provided in the Supplemental Appropriation Act, 1956.

TABLE II

COMPARISON OF NEW OBLIGATIONAL AUTHORITY BY BUDGET CATEGORY
Fiscal Year 1956 - In Thousand Dollars*

Budget Category	F. Y. 1956
I. Military Personnel Costs	3,137,985
II. Operations and Maintenance	2,378,437
a. Troops and Facilities	103,142
b. Aircraft and Facilities	626,379
c. Ships and Facilities	739,061
d. Medical Care	61,324
e. Supply Systems	427,277
f. Service-Wide Facilities and Services	294,430
g. Recruiting and Training	109,050
h. Industrial Mobilization	17,774
III. Major Procurement and Production	2,873,088
a. Aircraft	754,672
b. Ships and Harbor Craft	1,317,000
c. Combat Vehicles	30,593
d. Support Vehicles	28,583
e. Artillery	1,462
f. Weapons	23,815
g. Ammunition	270,945
h. Guided Missiles	223,421
i. Electronics and Communications	135,268
j. Production Equipment & Facilities	15,889
k. Other Major Procurement & Production	71,440
IV. Military Public Works	--
V. Reserve Components	243,843
VI. Research and Development	431,933
VII. DoD Establishment-Wide Activities	24,894
VIII. Working Capital (Revolving) Funds	--
Total	9,090,180

*Department of the Navy Budget Digest, op. cit., p. 13.

The above tables reflect appropriations approved by Congress for expenditure by the Navy. This is the end product. The beginning of the preparation of these figures began many months before this time.

National policy is determined by the President with advice from the National Security Council and the Office of Defense Mobilization and Congress. Based on National policy, the Joint Chiefs of Staff forward to the Secretary of Defense their recommended military requirements such as force levels, personnel strengths, levels of operation and degrees of readiness for the three services. The Secretary of Defense considers the recommendations of the Joint Chiefs of Staff and passes on to the Military Departments approved force levels and personnel strengths. In addition, he issues certain basic assumptions and guide lines to the Military Departments for the preparation of budget estimates. The Secretary of the Navy in turn directs the Chief of Naval Operations to prepare program objectives based on the Secretary of Defense directives and any other directives from competent authority, and in addition he determines the Navy policy.

Within the Office of the Chief of Naval Operations, the Director of the General Planning group is charged with the preparation of the program objectives, with the assistance of representatives of the Commandant of the Marine Corps, each Deputy Chief of Naval Operations, the Chief of Naval Material, and the Assistant Chief of Naval Operations (Naval Reserve). When these program

objectives are formulated, they are given a one-line estimate by the Comptroller of the Navy and then forwarded to the Chief of Naval Operations Advisory Board on the Naval Establishment Program and Budget. This Board conducts intra-Navy hearings on plans and programs of the various bureaus and offices of the Navy Department in order to determine the priority of Navy programs and to insure a proper balance between related programs to be forwarded in the fiscal year under consideration. Target date for this review is March 15 annually. The Board is composed of members, associate members, and a Permanent Staff, as follows:

a. Members:

Vice Chief of Naval Operations (Chairman)
Deputy CNO (Plans and Policy)
Deputy CNO (Logistics)
Deputy CNO (Personnel)
Deputy CNO (Administration)
Deputy CNO (Fleet Operations and Readiness)
Deputy CNO (Air)
Assistant Commandant of the Marine Corps
Deputy Comptroller
Assistant Comptroller, Director of Budget and Reports
Assistant CNO (Naval Reserve)
Director, General Planning Group (Secretary)

b. <u>Associate Members:</u>

Chief of Naval Personnel
Chief of Bureau of Ships
Chief of Bureau of Ordnance
Chief of Bureau of Yards and Docks
Chief of Bureau of Aeronautics
Chief of Bureau of Medicine and Surgery
Chief of Bureau of Supplies and Accounts
Commander, Military Sea Transportation Service
Chief of Naval Material
Chief of Naval Research
Director, Progress Analysis Group (Op-09D)
Assistant CNO (Intelligence)

c. Permanent Staff:

The Permanent Staff will be provided from among the members of the Staff of the Director, General Planning Group. The Director, General Planning Group, will act as Secretary of the Board.[1]

The program objectives agreed upon by the Advisory Board are forwarded to the Chief of Naval Operations for his approval and then to the Secretary of the Navy for his approval. At that time they become Approved Program Objectives and the basis for the first Tentative Basic Naval Establishment Plan, which in addition to being the peace time naval operating plan also supports mobilization and emergency plans. Bureaus and officers assemble estimates from their field installations based on their part of the Basic Naval Establishment Plan and send these estimates to the Comptroller of the Navy who reviews the budget estimates. He determines whether the estimates need changing due to new facts recently established or economy demands of higher authority. After this review another hearing is held by the Chief of Naval Operations Advisory Board on the Naval Establishment Programs and Budget. Target date is September 7, 1955. Usually the Chief of Naval Operations and the Secretary of the Navy attend these final hearings within the Navy Departments. At this time Bureaus can appeal the review of the Comptroller. Upon approval by the Chief of Naval Operations and Secretary of the Navy, these revised budget estimates are forwarded to the Secretary of Defense for

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[1]U. S. Department of the Navy, CNO Advisory Board on the Naval Establishment Program and Budget, OPNAV Instruction 5420.2A, Washington: Department of the Navy, November 3, 1955.

review and correlation with the other Military Departments' budget estimates. The final review is by the Bureau of the Budget, which is the Presidential review. The results of this review are incorporated in a second Tentative Basic Naval Establishment Plan. In January the President delivers his Budget Message to Congress. When Congressional hearings are completed and the Defense Appropriation Act passed and approved (about June), the final Basic Naval Establishment Plan for the ensuing fiscal year is promulgated to the Service.

The number of reviews may sound excessive. Captain Charles Adair, U.S.N., has this to say:

> As to the various budget reviews, they do serve a useful purpose, whether we like them or not. Such reviews serve to obtain a better balanced budget within and between the departments. A properly executed review on higher levels will insure funds for the urgent programs necessary for the best interests of the United States.
>
> It is important to all of us as taxpayers that the programs of the Government be carefully reviewed in order to cut those which are unnecessary and to provide adequate funds for those which are important. Human nature is such that personnel concerned with the execution of programs are usually enthusiastic about them. It is beneficial to have such programs reviewed by responsible personnel with a broader Governmental viewpoint at each step in the review process. This democratic method under which our Government operates is the one which has allowed us to achieve our strength and standing in the world today.

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[1]Charles Adair, Captain, U.S.N., Budget Review in the Department of Defense, (Washington: Office of the Comptroller, Department of the Navy, undated, mimeographed), pp.15-16.

CHAPTER III

VIEWS ON THE BUDGET PROCESS

The budget is a very popular subject for discussion, and for good reasons. Governmental expenditures affect each individual in the form of taxes. About twelve per cent of the Gross National Product was spent by the Federal Government on goods and services at the end of the year 1954[1] and most of these expenditures were financed by taxes of one sort or another.

As discussed in Chapter I large corporations felt the need for new concepts and techniques in financial management. Their success in solving this financial management problem was a strong influence, as can be seen in the first Hoover Commission Reports (1949). The results of these pressures for financial management reform were translated by Congress into law by the passage of the National Security Act Amendments of 1949 and the Budgeting and Accounting Procedures Act of 1950. Part of the budgetary process in the Department of the Navy, the formulation and justification were covered in Chapter II to show the consequences of the new laws.

The answer of General L. C. Shepard, Commandant of the Marine Corps, to the question of why the Marine Corps changed to

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[1]Economic Report of the President transmitted to the Congress, January 20, 1955: (Washington, D.C., U.S. Government Printing Office, 1955), p. 27.

a new system of budgeting for control of and accounting for funds shows how a Service Commander regards the new system of budgeting:

> a) To provide budgeting by function, as required by law. Higher authority has directed the Marine Corps to submit Fiscal Year 1956 budget on a functional basis, and to account for funds by function during Fiscal Year 1955.
>
> b) To give commanders financial control comparable to control in other areas of responsibility.
>
> c) To cause all personnel to have a more thorough realization of the dollar value of materials being consumed and services being procured, as related to dollars made available by Congress for such purposes.
>
> d) To furnish more realistic and accurate data for budget purposes.
>
> e) To provide a method whereby the Commandant may exact a more efficient use of the resources made available to the Marine Corps.[1]

Another high ranking officer described the new budget process as another yardstick of performance by which the efficiency of the Command can be determined.[2]

The Second Hoover Commission Reports (1955) are of interest on this subject when reviewed for their comments on the progress of financial management in the Government. In discussing the Department of Defense, the report states:

> The Department of Defense has many characteristics which make it unlike any other organization known to the free world.

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[1]Marine Corps Commanders and their Fiscal Responsibility, (NavMC 1093-FD), Unpublished, multigraphed, May 27, 1954, p. 1.

[2]Statement of a Marine Corps Officer, U. S. Marine Corps, in Navy Comptrollership Postgraduate Group, George Washington University, Writer's Class Notes, (Washington, D. C., 1955).

It is, by any yardstick of measurement, the largest organization. Its expenditures consume one seventh of our National income. The Department employs 4,300,000 people, which is more than twice the manpower of the ten largest corporations of the Nation combined, and is seven per cent of the active National labor force, including military personnel. Its assets, real and personal, approximate $140,000,000,000, which is equal to the value of all privately owned land in the United States. Its activities are spread throughout the forty-eight states, in 16,000 cities, and extend abroad to fifty-two other countries.

The activities of the Department of Defense encompass a wider range than those of any other enterprise. . . .

Because National survival is at stake, cost cannot be the primary factor.[1]

Regarding the functions of budgeting and accounting, the Task Force on Budget and Accounting has this to say:

There have been no activities in the history of human affairs where the magnitude of the budgeting and accounting functions has approached that of the Federal Government today. The staggering total annual expenditure of $62,400,000,000 in itself is an expression of the Government's stupendous task in this field.

Accounting means more than just tabulating expenditures. Proper accounting methods are needed in Government as well as in industry, to provide information which is basic to effective management. It has been estimated that 90,000 full time employees and tens of thousands of additional man years in part-time efforts are needed to compile the financial facts which Government agencies need, and to assure the Public of integrity in Government spending.

Budgeting is far more important than preparing figures and estimates of proposed expenditures. The budgeting functions are vital to the whole conduct of our Government. In the preparation of the budget lies not only the control of departmental expenditures, but the power to insist on efficient methods of management in the spending agencies. And within

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[1]The Commission on Organization of the Executive Branch of the Government, Task Force Report on Business Organization of the Department of Defense, (Washington: Government Printing Office, 1955), p. 4.

an effective budgeting system lies the restoration of the full control of the National purse to the Congress.[1]

Regarding the cost of budgeting, the Task Force states:

> It is impossible to determine the total cost of budgeting and accounting. An estimate has been made that the cost of preparing the budget of the Department of Defense alone is somewhere around $30,000,000.[2]

Our task force states in regard to the saving which could result if its recommendations were adopted:

> The benefits which would result from improved financial management cannot be calculated with any degree of precision, but we believe the resultant dollar savings could reasonably be expected to amount to $4,000,000,000, which is approximately 8½ per cent of the controllable budget expenditures.[3]

The Task Force recommended that executive agency budgets be formulated and administered on a cost basis.

For a dissenting view on the use of budgets on a cost basis, the views of a dissenting Commissioner, Mr. James A. Farley, are interesting:

> Theoretically, these recommendations may be desirable from an accounting point of view; but I am not certain that put into effect, they will produce the desired objectives.
>
> This report has been approached from the viewpoint of a cost accountant operating in a private commercial enterprise, in which goods and services are produced and sold for the avowed purpose of providing a profit to those whose capital is invested. That may be an appropriate concept for certain Government operations which are similar to private commercial

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[1]U. S. Commission on Organization of the Executive Branch of the Government. Budgeting and Accounting, a report to Congress. (Washington: Government Printing Office, 1955), Preface.

[2]Ibid, p. 1

[3]Ibid, p. 65

ventures, and, in fact, is currently in use by many such Government organizations as stated in the report. It does not seem to me, however, to be appropriate across the board to all Government activities and operations. Even where cost accounting is used, it does not necessarily provide a measure of the effectiveness of programs which are not primarily related to profit, but to the performance of proper Governmental functions. The transition to "cost basis" accounting will require tremendous expense and inconvenience, and there is insufficient evidence that it will be universally workable and worth while.

I am hopeful that the appropriate Congressional committees to which this report is referred will very carefully examine and explore the possible effects of these recommendations.[1]

The following is quoted to illustrate that even the Commission itself had difficulty in planning and estimating its own needs and operating costs.

At the time the Commission was created, there was appropriated $500,000 to carry the Commission during the remainder of the year 1953 and far enough into 1954 to give it time to make its plans and estimate its needs with some accuracy.

In February 1954, an additional $1,431,909 was appropriated which was $400,000 less than had been requested.

Shortly before the adjournment of the Eighty-third Congress, an additional $653,150, which was $100,000 less than had been requested, was appropriated, thus giving the Commission a total of $2,585,059.

It should be noted that when the February, 1954 request was made, the Commission had not established its task forces on Intelligence Activities, Overseas Economic Operations, Paper Work Management, and Real Property. It seems probable that the Commission will require a modest additional appropriation to complete its work.[2]

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[1]U. S. Commission on Organization of the Executive Branch of the Government, Report to Congress (Washington: Government Printing Office, 1955), pp. 69-70.

[2]U. S. Commission on Organization of the Executive Branch of the Government, Progress Report to the Congress, (Washington: Government Printing Office, 1955), p. 20.

There are innumerable opinions and views on the budget, and for good reasons. First, the President's budget is a complex, interrelated, and lengthy volume of about 2000 pages. A study of the hearings by Congress, which run about 25,000 pages, is necessary to extract a fuller meaning of its proposals. Consequently, only those persons who study and follow it have an understanding of its scope.

Secondly, the people of the United States are affected by the budget in many different ways. As taxpayers they pay for the budget and benefit from it. It provides funds for investigation and prosecution of persons engaged in unlawful enterprises. It provides for better highways for a trucking firm. For Government employees it may mean the continuation of a job. For the Executive agencies, it determines the type of work to be accomplished and the degree of accomplishment. For Congress it is the discharge of the power of the purse, for the President it represents a plan of action for the Executive branch of the Government. For the student of Government it offers an interesting insight into our democratic process. From all these and other viewpoints, there are bound to be sharp disagreements.

The adoption of the performance budget caused many changes in the financial operations of the Government. I believe the change has been beneficial and will result in economy and efficiency. However, I believe the full benefit will not be realized

for a few more years. A speaker from one of the largest corporations stated that "it took seven years to complete the installation of a new financial management system, and there are still small areas to be ironed out".[1] Since the performance budget has been in operation less than seven years, I believe a fair estimate of its success can not be made at this time.

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[1]Statement of a speaker from industry before Navy Comptrollership Postgraduate group, George Washington University, (Writer's Class Notes, Washington, D. C.:1955).

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